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Evening Standard (London, Greater London, England) · Fri, Mar 30, 2001 · Page 9
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Brothers in arms: Ian, left, and Kevin Maxwell with their father Robert. The brothers were acquitted of fraud relating to their father's empire, in a court case that cost £12 million in legal aid

Sons may come to regret sins of the father

By Ross Davies

THE fortunes of Robert's sons, Kevin and Ian, have fluctuated to say the least since the collapse of their father's empire.

Kevin's bankruptcy was lifted in 1995, and within four years of having £400 million of debts, he was heading Telemonde, a company worth almost as much. It is now worth nearer £15 million. Kevin also found £15 million to finance a land deal in Docklands.

In 1996, he was acquitted of fraud relating to his father's empire, along with Ian, and Larry Trachtenberg — an adviser to Robert Maxwell — after a trial costing £12 million in legal aid.

But in a civil action over the use of stock to prop up ailing private Mirror companies, Kevin was found to have misled banks and misappropriated shares.

Kevin is expected to come in for significant criticism in the Department of Trade and Industry's report, although Ian is likely to emerge as a peripheral figure. A banker told the DTI inspectors that the only discussion he ever had with Ian was on the seating plan for a bankers' lunch.

To begin with, Kevin resisted being questioned by the DTI inspectors, accusing the DTI of being oppressive and unfair in wanting him to do without legal advice.

The leaked draft report shows he did his father's bidding as debts of more than £3.5 billion mounted up.

Father and son would have talks early each morning, Maxwell senior giving instructions on payments to banks or operating companies.

Kevin said he found it complicated to follow what was going on since his father was the only person who had a total picture of the transactions.

Both brothers could face DTI civil action which might lead to them being banned as company directors for up to 15 years.

For both Kevin and Ian, the comeback vehicle since the collapse of the Maxwell empire has been Telemonde, a company that buys telecoms voice and internet capacity from networks and sells it to other businesses.

Kevin co-founded the concern with Adam Bishop, a former BT executive. Another Telemonde director is Larry Trachtenberg.

Telemonde ran into trouble after problems over payments to suppliers in 1999, since when investors have seen their shares slump on New York's Nasdaq stock exchange from a high of $8.25 (£5.77) to a low of 11¼ cents (8p). Kevin and wife Pandora are entitled to 3.18 million shares.

Kevin is now a minor shareholder, holding about 25 per cent — the biggest block of the 130 million shares now being owned by two creditors, US telecoms giants Global Crossing and MCI Worldcom. Documents to be filed for Telemonde's annual meeting in New York on 31 May will show that Kevin is paid £240,000 a year in salary, and the company says there are no other perks.

Ian Maxwell is not a shareholder, director or employee of Telemonde, but is paid fees for "public relations" advice given by Westbourne Communications. This is a consultancy linked to associates of Robert Maxwell. Westbourne at one time paid Kevin to advise Telemonde on corporate finance.

WHO ELSE IS IN THE FRAME

David Taylor lists key figures and institutions examined by the DTI inspectors

Larry Trachtenberg: a close associate of Kevin, also cleared of fraud along with **Robert Bunn,** former finance director of Robert Maxwell's private companies; **Albert Fuller**, Maxwell's former treasurer; and **Michael Stoney**, former deputy finance director of the Mirror Group. A civil action found Trachtenberg had lied to banks and misappropriated shares. He is expected to be singled out for dishonesty over misuse of the pension funds to prop up Maxwell's ailing empire. He was an executive of Bishopsgate, the fund manager which looked after some of the pension funds from which Robert Maxwell stole hundreds of millions of pounds. Trachtenberg, who works for Kevin Maxwell at Telemonde, could also be banned as a company director.

Samuel Montagu & Co: the merchant bank that masterminded the Mirror Group Newspapers (MGN) float and advised Maxwell. To convince investors, Maxwell promised MGN had been ring-fenced from other parts of the empire. Montagu insisted it had made considerable efforts to ensure MGN was an independent entity, and a team led by **Ian McIntosh**, head of corporate finance, was supposed to verify every item in the prospectus. But it later emerged that Maxwell had raided pension funds and used £344million to stem the decline of his company's value. Montagu, taken over by HSBC in 1992, is likely to face heavy criticism for failing to cast doubt on Maxwell's fitness to head a public company. Maxwell had been condemned as totally untrustworthy by three previous DTI reports, but Samuel Montagu and other banks and professionals ignored the warnings.

Coopers & Lybrand: the auditor of the Maxwell empire was fined £3.4 million by the accountancy profession's joint disciplinary scheme for "losing the plot" and failing to blow the whistle on financial irregularities. An internal memo obtained by the inspectors said: "The first requirement is to continue to be at the beck and call of Maxwell, his sons and his staff, appear when wanted and provide whatever is requested." The firm, now merged into PricewaterhouseCoopers, received £5 million in a single year from Robert Maxwell. Employees Stephen Wootten, Nicholas Parker, Ian Steere and John Cowling, responsible for the Maxwell accounts, were ordered to pay a total of £111,050 in fines and costs. They are still with PricewaterhouseCoopers on six-figure salaries. Samuel Montagu relied on Coopers & Lybrand to provide information about the Maxwell companies. The DTI inspectors will say senior Coopers accountant **Peter Walsh**, who is now dead, was singled out for criticism. He made the note "good" when Maxwell's use of pension money was not identified in the accounts.

Goldman Sachs: US investment bank which acted as Maxwell's broker on a number of transactions. It is expected to come in for heavy criticism. Leaked draft of the report criticises former partner **Eric Sheinberg** who earned huge profits by misleading and manipulating the stock market. Maxwell did virtually all of his business through Sheinberg, who is now retired, and was considered "a God-like figure" in the MGN boardroom, according to former managing director Ernest Burrington.

Sir Michael Richardson: chairman of stockbroker **Smith New Court**, which acted as broker to the MGN float and has since been acquired by US investment bank Merrill Lynch. A key figure in the MGN stock market flotation and a man with impeccable Tory party connections after playing a key role in the Conservatives' privatisation programme. He first dealt with Maxwell 25 years earlier when he floated the Pergamon shares on the stock market. Scandal over the collapse of Pergamon led to the end of Maxwell's career as a Labour MP, when DTI inspectors dubbed him a liar and a man unfit to run a public company. But 20 years on, when the Mirror Group became a client, Richardson wanted to believe Maxwell had reformed. Sir Michael, now 75, lives on the Isle of Wight. Regarded as Maxwell's closest adviser, he is set to be criticised.

Lord Donoughue: former Labour agriculture minister, now aged 66 and a life peer. He was at the heart of the scandal as vice-chairman of **London & Bishopsgate International Investment Management (LBI)**, the company that managed the pension funds and moved millions of pounds of fund shares into Maxwell's private control. It has been alleged that he knew pensioners' money was being put at risk but did nothing about it. Three months before Maxwell died, Donoughue quietly resigned taking with him a pay-off of nearly £200,000. "He gets a couple of name-checks," a source said. But he is understood to escape rebuke.

Clifford Chance: one of several law firms which failed to act on suspicions. The firm, instrumental in drawing up the prospectus for the flotation, is expected to be criticised for an apparent lack of due diligence in reading the minutes of MGN board meetings. The leaked draft report said the firm suspected all was not well with the Maxwell pension schemes before the 1991 flotation.

Linklaters & Paines: now part of Linklaters & Alliance, the law firm which also helped draw up the MGN prospectus for flotation is

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